

**Michigan House of Representatives
Judiciary Committee
December 1, 2011**

**Testimony of Louis Schimmel
Pontiac Emergency Manager**

I. CITY OF PONTIAC FINANCIAL EMERGENCY

In fiscal year 2011-12, the City of Pontiac faces a projected budget deficit in excess of \$12,000,000. This year is the City's third consecutive year under an Emergency Manager appointed by the Governor. My term commenced on September 12th of this year.

In the prior fiscal year, expenses were reduced by nearly \$8,000,000 due to lay-offs, outsourcing of many job functions and other cost-cutting measures. However, despite these significant efforts and results, there remains a steep financial mountain for Pontiac to climb. The continued erosion of property tax revenue, state and federal revenue sharing cuts due to population decline in the 2010 Census and continually increasing retiree health care costs, all contribute to Pontiac's immediate fiscal challenges.

All City Departments and services have been affected by this continuing financial crisis. However, the City's District Court, funded solely by Pontiac, has not made budget cuts consistent with other City Departments.

II. DISTRICT COURT BUDGET

The District Court 2011-12 fiscal year budget approved by my predecessor is \$3.2 million for expenses. This figure is a \$949,000 reduction or 22.6% from the District Court's original budget request of \$4.2 million.

The District Court's approved budget of \$3.2 million is covered by projected revenues generated by Court operations of \$1.675 million and a City subsidy of \$1.586 million. **If the District Court does not comply with its approved budget and spends its full requested budget of \$4.2 million, the City's subsidy will skyrocket to just over \$2.5 million.**

The City simply cannot afford a subsidy of \$2.5 million, as suggested by the District Court's requested budget submission. The District Court's approved budget of \$3.2 million will allow a serviceable level of Court operations for the year.

As the attached chart, entitled "50th District Court/City Subsidy Information" (**Exhibit A**) shows, the District Court subsidy has been and continues to be a major financial burden on the City of Pontiac. The historical data is very compelling. In the last 3 fiscal years, the subsidy has averaged \$2.3 million. This consistent pattern of significant City subsidies cannot continue.

The City's approved and reduced budget for the District Court is supported by a recent State Court Administrative Office (SCAO) Judicial Resources Recommendations Report released this past August (see attached **Exhibit B**), which stressed the following critical points:

- (1) Due to reduced caseloads, the District Court can operate with 2.2 judges.
- (2) The number of judges should be reduced from 4 to 2.

These recommendations were based on a 27.3% decrease in case filings between 2003 and 2010, as well as Pontiac's significant population decrease.

Clearly, the SCAO Report adds an informed opinion that supports the City's reduction in District Court expenses in fiscal year 2011-12.

**III. ABSOLUTE LACK OF DISTRICT COURT MEASURES
TO IMPROVE FISCAL POSITION**

The City has repeatedly and consistently requested that the District Court provide it with a detailed list of expense reductions totaling \$949,000 to comply with its approved budget and avoid a funding crisis. However, no such expense reduction has been submitted. Further:

- The District Court has not yet forwarded the recently negotiated renewal of its Collective Bargaining Agreement with Court workers. I am concerned it does not contain any cost savings needed to meet the Court's approved budget.
- The District Court has informed us that it has switched health plans for its employees, but has not supplied us with the copies of the new contracts.
- The District Court has not submitted any information to increase fines or fees to improve the revenue side of the equation.

There has been and continues to be a lack of transparency and disclosure of critical financial information that the District Court Judges would never tolerate in their courtrooms. The taxpayers expect nothing less than full and complete transparency and disclosure. The City has consistently asked, in writing, for the new Collective Bargaining Agreement and its cost savings analysis, the healthcare contract and its cost savings and a list of cost-cutting measures. My letter dated November 21, 2011 (**Exhibit C**) is the latest documented request to the Court. These requests remain outstanding.

**IV. IMPACT OF TRANSFER OF POLICE FUNCTION
TO THE OAKLAND COUNTY SHERIFF'S DEPARTMENT**

The Oakland County Sheriff's Department commenced providing police and dispatch services under contract to Pontiac on August 1, 2011. Clearly, there has not been enough time to conclude with any certainty the long-range impact of this change. Any forecast based on only a few months' data is preliminary, speculative and, perhaps, self-serving.

If there continues to be a "spike" in the cases before the District Court, they can be handled a number of ways, including utilization of part-time employees. Also, the District Court could engage part-time Magistrates for any "over flow." There are also a number of "best practices," which could be utilized by the Court to reduce time and cost.

The history of the City with the Oakland County Sheriff's Department is in its infancy. However, there has been a long and troubling history of the City continuing to subsidize the 50th District Court and the historical reluctance of the Court to engage in any cost-cutting or revenue enhancement.

As a result, I strongly urge this Committee to follow the recommendation of the SCAO Report supported by the information I have presented today and to reduce the 50th District Court to 2 judges as soon as possible.

Thank you for your time and serious consideration of the City of Pontiac's position covering the pending legislation.

EXHIBIT A**50th District Court
City Subsidy Information**

	<u>2008-09¹</u>	<u>2009-10²</u>	<u>2010-11³</u>	<u>2011-12⁴</u>	<u>2011-12⁵</u>
Total Expenses	\$4,035,819	\$3,804,520	\$3,901,299	\$4,211,100	\$3,262,100
Total Revenues	<u>1,634,573</u>	<u>1,741,658</u>	<u>1,443,025</u>	<u>1,675,300</u>	<u>1,675,000</u>
City Subsidy	(\$2,401,246)	(\$2,062,862)	(\$2,458,274)	(\$2,535,800)	(\$1,586,000)

¹ Source: Annual City Audit² Source: Annual City Audit³ Source: City Financial Records (Audit Not Yet Submitted)⁴ Source: City Budget (Based on Court Request)⁵ Source: City Budget (Approved by Emergency Manager)

EXHIBIT B

50th District Court – City of Pontiac

Based on the JNAC methodology and an extended analysis, the SCAO estimates that this court can operate with 2.2 judges. The SCAO recommends that the number of judgeships be reduced by attrition from four to two.

Current Judgeships	4
2011 SCAO Recommendation	-2 by attrition
Remaining Judgeships	2

The 50th District Court is a third-class district court in Oakland County serving the city of Pontiac. There are four judges serving this district court.

In 2007, the Michigan Supreme Court recommended the elimination of one district judgeship through attrition.

In 2009, the SCAO recommended the reduction through attrition of one judgeship.

The Legislature did not enact these recommendations.

In 2007 and 2009, the weighted caseload results indicated a judicial excess of 1.7 and 1.9, respectively. In 2011, using the new methodology approved by the JNAC, the SCAO found that the court has an excess of 1.8 judges.

Year	Judicial Excess	Recommendation	Michigan Supreme Court Additional Recommendations
2007	-1.7	No change	-1 by attrition
2009	-1.9	-1 by attrition	
2011	-1.8	-2 by attrition	

The population of the city of Pontiac decreased by 6.8 percent between 1990 and 2000 and by 10.3 percent between 2000 and 2010.

Year	Population
1990	71,166
2000	66,337
2010	59,515

Source: <http://www.census.gov/>.

Between 2003 and 2010, the case filings decreased by 27.3 percent, from 28,725 to 20,869.

Year	District Case Filings
2003	28,725
2004	29,581
2005	21,961
2006	22,358
2007	20,330
2008	21,529
2009	23,102
2010	20,869

Additional case filing detail is within the statistical supplement of the Michigan Supreme Court Annual Report, available at <http://courts.michigan.gov/scao/resources/publications/reports/summaries.htm#statsupp>.

EXHIBIT C



**CITY OF PONTIAC
OFFICE OF THE EMERGENCY MANAGER
LOUIS H. SCHIMMEL**

47450 Woodward Avenue Pontiac, Michigan 48342
Telephone: (248) 758-3133 Fax: (248) 758-3292

November 21, 2011

Chief Judge Cynthia Walker
50th District Court
70 N. Saginaw
Pontiac, MI 48342

Re: 50th District Court

Dear Chief Judge Walker:

Thank you for your correspondence of November 16, 2011. We look forward to the opportunity to meet with you to review the District Court's budget. Unfortunately, the two dates you mentioned in your letter are not convenient, so we would have to look at a date after December 1st. Given the fact that we are almost half way through the City's budget year, we would like to meet with you as soon as possible after December 1st. I am available on December 2nd and thereafter.

However, in order to make our meeting effective and efficient, we would like the Court to forward us prior to any meeting the following:

1. The recently negotiated Collective Bargaining Agreement with 50th District Court employees;
2. Any analysis that the District Court has conducted of cost savings resulting from the new Collective Bargaining Agreement;
3. A copy of the new healthcare contract for 50th District Court employees with the Coalition of Public Employees Health Trust;
4. Any cost analysis the District Court has conducted regarding cost savings from the new healthcare contract;
5. A description of any cost-cutting measures and budget cuts the District Court has taken in order to meet its approved expense budget of \$3,262,100; and
6. A copy of your correspondence to the State Court Administrative Office regarding your request for formal assistance.

We believe having these documents prior to our meeting in a sufficient time to review would lead to a more focused discussion. I am sure you will agree. I look forward to your response to this correspondence with a date for a meeting.

Sincerely,


Louis H. Schimmel
Emergency Manager

cc: John Naglick, Finance Director
Dennis Cowan, Esq.

District Court Comparison

	<u>Pontiac</u>	<u>Royal Oak</u>
Population (2010)	59,515	57,236
Caseload ¹	20,869	19,897
District Court Judges	4	2
Caseload per Judge	5,217	9,948
Full-Time Employees ²	39	20
Part-Time Employees ²	0	9.629 ³
Expense Budget	\$4,211,000 ⁴	\$3,033,060 ⁵
Revenues Budget ²	\$1,675,000	\$2,375,000
Fine Collection Rate	Unknown	97%
Funding Source	Pontiac	Royal Oak

¹ Source: SCAO Judicial Resources Recommendation Report (August 2011)

² City Budgets.

³ FTE Equivalent.

⁴ 50th District Court Requested Budget.

⁵ Does not include \$520,100 in debt services for 44th District Court building.